Nova Scotia Department of Finance

Business Plan
2004-2005

NOVA SCOTIA
Department of Finance

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Table of Contents

Message from the Minister 2

Mission Statement 3

Strategic Goals 3

Planning Context 3

Core Business Areas
- Financial Management 4
- Investment and Treasury Management 4
- Fiscal Planning and Policy 5
- Central Agency Services 5

Priorities for 2004-2005
- Financial Management 6
- Investment and Treasury Management 6
- Fiscal Planning and Policy 6
- Central Agency Services 7

Red Tape Reduction 7

Budget Context Chart 8

Performance Measures 9

Message from the Minister

Business planning is an essential tool for any organization to achieve its objectives in a cost-effective and timely manner. The Department of Finance is committed to open and transparent accounting of the Province's finances, and through this Business Plan, we will show Nova Scotia taxpayers how we intend to accomplish this.

The Department is committed to balanced budgets and providing a high level of quality service and programs to other government departments and to the people of Nova Scotia. Through equitable, efficient, and effective taxation, we promote economic growth and development in the provincial economy. In the coming year, the Department will strengthen its fiscal plan by implementing a Debt Reduction Plan.

By focussing on these strategic priorities in the coming year, we believe the Department will continue to contribute to a healthy, prosperous, and self-sufficient Nova Scotia.

The Honourable Peter G. Christie
Minister of Finance

Vicki Harnish
Deputy Minister of Finance

Mission Statement

Establish a fiscal climate conducive to economic growth and provide central agency support and policy direction for effective management of the Province's finance and pension administration.

Strategic Goals

The strategic goals of the Department of Finance reflect the achievements that are key to fulfilling our mission. They support the corporate priorities of government, most directly in terms of "building greater prosperity" and promoting "fiscal responsibility and accountability."

- Enhance financial accountability and fiscal planning in the management and control of the Province's finances.
- Achieve effective money management that maximizes return on investments and minimizes debt servicing costs within acceptable risk tolerances.
- Provide for equitable, efficient, and effective taxation that promotes economic growth in a strategic way.
- Provide a core set of central agency services that supports other government departments and agencies in the management of the Province's programs and public resources.

Planning Context

The Department plays a key role in realizing the vision of Government - a healthy, prosperous, and self-sufficient Nova Scotia - by working to implement a sustainable fiscal plan and balanced budget for the Province. The challenge is significant, given the continuously increasing demand for services and programs, especially those related to health, education, and infrastructure. Fiscal strength is also measured in terms of our progress in debt management. In the coming year, the Department will support implementation of the Debt Reduction Plan through amendments to the *Provincial Finance Act*.

The commitment to financial accountability is an ongoing challenge. The Province adheres to Generally Accepted Accounting Principles (GAAP) and complies with the policies and practices of the Public Sector Accounting Board (PSAB), a challenging process that requires adjustments to procedures and reporting documents to incorporate ongoing changes to PSAB policies, but ultimately results in a more open and transparent accounting system. Throughout 2004-2005, the Department will enhance financial accountability and efficiency by implementing new modules of SAP, a common enterprise resource planning system that provides for the integration of information and standardized reporting

across provincial public sector entities (i.e., all government departments and agencies, as well as certain broader public sector entities - specifically, all provincial school boards, all regional housing authorities, and six municipalities within the Province).

And while global financial market conditions have improved considerably in the past year, there is always need for committed and effective management of the Province's financial assets and liabilities. Managing risk - to be within acceptable levels - is never without its challenges. At the same time, ensuring treasury services are managed to minimize debt servicing costs to government requires diligence and informed decision-making - no small task in any given year.

Many of the challenges the Department faces require interdepartmental and intergovernmental collaboration and participation. At the same time, we must keep stakeholders, which include the investment community and the general public, informed with timely and reliable information about financial issues affecting Nova Scotia. As part of its communications strategy, the departmental website continues to be improved, providing up-to-date information about the Department's activities and the Province's finances.

Addressing the challenges is made possible through the Department's main resource - its staff - consisting of experienced professionals in the fields of financial analysis and accountability, federal/provincial/territorial fiscal agreements, investments and cash management, pension administration, financial information systems and products, economic analysis and statistics, taxation, and policy. The challenge is in recruiting and maintaining highly skilled and motivated staff who are able to balance the increasing demand for central agency services from departments and agencies with the core financial functions of the Department. Working with the Public Service Commission and other departments and agencies, we will pursue innovative and cost-effective initiatives that will help to rejuvenate and sustain our human resources.

Core Business Areas

The Department's core business areas directly support the priorities of Government as reflected in the Blueprint (2003) and its Corporate Plan (2004-05). Many activities within the core business areas reinforce these linkages; for example, economic development is enhanced with a healthy fiscal plan and through effective taxation policies. Similarly, the development of accountability mechanisms in legislation and regulations directly supports government's priorities.

Financial Management

This core business centres around ensuring financial accountability in the management and control of the Province's finances, which includes:

- financial accountability and governance
- expenditure monitoring and reporting (shared with Treasury & Policy Board)

- accounting, payroll, and pension administration

Investment and Treasury Management

This involves the processes, policies, and procedures that ensure effective money management, maximizing return on investments, and minimizing debt servicing costs within risk tolerances acceptable to government. Specific business activities include:

- managing the debt portfolio
- treasury function and investor relations
- managing the provincial pension funds

Fiscal Planning and Policy

Fiscal planning and budgeting make up the core business that includes equitable, efficient, and effective taxation to promote strategic economic growth. Specific activities include:

- fiscal planning and budgeting (shared with Treasury and Policy Board)
- revenue and economic forecasting
- tax policy/analysis and federal fiscal policies and arrangements

Central Agency Services

This business area consists of a core set of services that support the management of the Province's programs and public resources, in addition to supporting the core business functions of the Department of Finance. They are:

- Corporate Information Systems (CIS): providing ongoing support for the SAP systems within all provincial departments and agencies, all school boards, all regional housing authorities, and six municipalities

- Statistics: providing government departments and agencies with advice on and access to a wide range of social and economic statistics to support evidence-based management and policy development

- Economic Policy and Analysis: conducting economic impact, benefit-cost, and economic policy analysis to client departments and agencies; providing tax policy and advisory services to ensure new programs and services consider tax implications and are cost-effective in the use of public funds

- Internal Audit: performing value-added audit and consulting services to client departments and agencies for effectiveness of control structures and cost-effective usage of public funds

The Department also hosts the Corporate Services Unit (CSU) that supplies financial services to the departments of Finance, Service Nova Scotia and Municipal Relations, Tourism, Culture, and Heritage, as well as several Public Service appropriations. Human Resources are now provided through the

Transportation and Public Works CSU, and Information Technology resources are hosted by the CSU at the Department of Natural Resources. Communications staff are assigned to the Department by Communications Nova Scotia, and legal expertise is provided through the Department of Justice. Finally, the Department is developing a Policy and Planning function to manage information and planning, and to encourage collaboration among the Department's divisions and across government.

Priorities for 2004-2005

Following is a list of strategic priorities for FY2004-2005 and the Core Business Area in which they reside. The Department has implemented operational planning for 2004-2005; as a result, there is a clear delineation between priorities included in this Business Plan and the more functional objectives that have been detailed at the program/service level. The performance achieved at each planning level will contribute to the desired outcomes of the Department of Finance.

Financial Management

- Enhance accountability by continuing to encourage compliance with Public Sector Accounting Board (PSAB) Guidelines and Generally Accepted Accounting Principles (GAAP).

- Provide further support for the Province's Debt Reduction Plan that includes: an annual process of creating surpluses and contingency reserves for debt reduction, establishing a Debt Retirement Fund, and designating a portion of revenues to the Fund.

- Improve the efficiency and effectiveness of government accounting and payroll services by implementing the human resources and payroll modules of the SAP enterprise resource planning system.

Investment and Treasury Management

- Manage the investments, assets, and liabilities of the Province within an acceptable level of financial risk.

- Strengthen investor relations by making strong presentations to rating agencies on the Province's financial position.

- Review and, if appropriate, modify the governance structures of the Teachers' Pension Plan and the Public Service Superannuation Plan to ensure efficient and effective administration.

Fiscal Planning and Policy

- Lead the development of a fiscal plan that includes a balanced budget for 2004-05 and beyond, and, in partnership with Treasury and Policy Board (TPB), monitor, report and advise on ongoing implementation of the fiscal plan.

- Effectively negotiate agreements with federal and other governments so that Nova Scotia's interests are well represented in areas such as federal transfer payments comprising Equalization, the Canada Health and Social Transfer, and tax collection.

- Evaluate tax initiatives, as well as the tax implications of any new programs/services, to achieve a competitive and responsive tax environment and to ensure cost-effectiveness in the use of public funds.

Central Agency Services

- Review management processes and procedures for Corporate Information System infrastructure and services, and formalize policies and standards to strengthen internal management controls within the SAP environment; review internal management controls in other areas of the Department, including investment and treasury services, and implement revised procedures and processes, if required.

- Begin to implement *Nova Scotia Community Accounts* - statistical infrastructure comprised of a wide range of census, taxation, and administrative data sets - that will support evidence-based decision-making and program planning for the Province's Community Development Initiative and Primary Health Care Renewal.

- Ensure effective use of public funds and enhanced accountability for third party entities by supporting departments and TPB in planning and monitoring value-for-money assessments.

- In collaboration with the Office of Economic Development and the Department of Health, begin planning for the implementation of SAP in District Health Authorities.

- Improve human resource practices (e.g., supporting career planning through needs identification, professional development, job rotations) to ensure requisite skill sets and competencies, and to enhance the capacity of policy and financial staff in government.

Red Tape Reduction

Not applicable.

Budget Context

Budget Context Chart 2004-05			
		Estimated Budget Expenditures	
	2003-04 Estimate	**2003-04 Forecast**	**2004-05 Estimate**
	(Per 2003-04 Estimates Book)	(Per 2004-05 Estimates Book)	(Per 2004-05 Estimates Book)
	$ Thousands	$ Thousands	$ Thousands
Total Program Expenses - Gross Current	27,216	25,806	28,530
Net Program Expenses - Net of Recoveries	13,235	12,804	14,134
Tangible Capital Assets (TCA)	4,270	3,577	4,259
Salaries and Benefits - Gross	13,918	12,708	13,838
Funded Staff (FTEs) Gross	236.9	211.4	233.1
Funded Staff (FTE's) Net	159.9	146.8	153.1

Performance Measures

The Department is conducting a review of its performance measures. As a result, certain measures presented in the 2003-2004 Business Plan have been removed from this business planning template, indicating that they have been discontinued or allocated to the operational plans of various divisions. A report detailing the various changes is available as a separate document.

Core Business Area: Financial Management				
OUTCOME	**MEASURE**	**DATA**	**TARGET 2004-05**	**STRATEGIC ACTIONS to achieve target**
Effective management of the Province's financial operating resources	surplus/deficit budget	balanced budget; surplus of $31.6 million (2002-03)	meet legislated req't/rement for balanced budget	Work closely with TPB re: expenditure control and continue to update and improve fiscal models to improve in-house revenue forecasting
Open and transparent financial reporting	timeliness of Public Accounts documentation	consolidated financial statements released Nov. 13, 2003	*Public Accounts to be ready for release by* Oct.31st	Develop procedures to expedite and improve production of Public Accounts and forecasts; i.e., map out time lines / process / create awareness A proposed change to the *Finance Act* (Spring, 2004) will change the release date of Public Accounts to Sept. 30th of each year, effectively exceeding the 2004-05 target.

Core Business Area: Investment and Treasury Management				
OUTCOME	**MEASURE**	**DATA**	**TARGET-2004-05**	**STRATEGIC ACTIONS to achieve target**
Efficient and prudent management of the Province's financial assets and liabilities	net debt service costs expressed as a percentage of net debt outstanding *(restated for GAAP compliance)*	2002-03: 7.2% 2001-02: 8.1%	comparable to other provinces	Strive for a desired result within an acceptable level of risk.
	percentage of foreign debt in debt portfolio	Mar. 31, 2003: 18.1% Mar. 31, 2002: 28.9% Mar. 31, 1995: 72.2%	20% or less	Continue to refinance maturing debt in net Canadian dollar exposure.
	credit ratings of major rating agencies	A(low), with stable outlook (DBRS, Aug/03) A-, positive outlook (S&P, Aug/03)	improved credit rating	Make strong presentations to rating agencies on our financial position.
Effective management of the assets of provincial pension plans	funded status of the Public Service Superannuation Fund (PSS) and Teacher's Pension Plan Fund (TPP)	PSS: 82.1% (Dec 31/03) TPP: 76.8% (Dec 31/03)	100% funded status	Continue to manage pension funds to maximize rate of return within an acceptable level of risk. Generate a 4.25 % real rate of return annually. Review the assets and liabilities mix to balance the relative risk between the two.

Core Business Area: Fiscal Planning and Policy				
OUTCOME	**MEASURE**	**DATA**	**TARGET-2004-05**	**STRATEGIC ACTIONS to achieve target**
Prudent and sustainable fiscal plan	provincial government debt as a percentage of GDP *(restated ratios as of 04/04)*	2001-02: 46.5% 2002-03: 45.0%	continue to reduce the ratio	Work closely with TPB on expenditure control.
Positive climate for investment/economic growth	overall personal income, corporate income, and capital tax rates	2002-03 Marginal personal income tax rates: 9.77% 14.95% & 16.67% - no change from 2001-02 (Note: tax cut was implemented Jan/04) 2002-03 Corporate income tax rates: general 16%, small Business 5% 2002-03 Capital tax rates: general 0.25%, banks 3% - no change from 2001-02	lowest level of tax burden in Atlantic Canada	Continue to monitor the overall tax burden. Continue to participate in consumption tax discussions with other jurisdictions.

Core Business Area: Central Agency Services				
OUTCOME	**MEASURE**	**DATA**	**TARGET-2004-05**	**STRATEGIC ACTIONS to achieve target**
More informed program delivery and policy development	Number of downloads from Statistics Division web sites	2003: 256,000 2002: 167,000 2001: 77,000 (PDF downloads)	steady increasing usage	Enhance internet and intranet sites Provide effective, timely, and analytic support for projects and policy initiatives that support the Province's energy and economic growth strategies
Enhanced financial accountability	proportion of entities with systems in place to monitor third-party spending	As of March 31, 2003: - all depts/agencies - all 7 school boards - all 7 reg. housing authorities - 6 municipalities	Financial system in 100% of schools by end of FY2004-05; start deploying to DHAs	Continue with implementation of common enterprise resource planning system (SAP) for financial reporting entities within the broader public sector, including school boards, DHAs.
	proportion of MASH sector (municipalities, academia, schools, hospitals) with systems in place to enhance service delivery (modules included: Human Resources, Procurement, Business Warehouse, Tax-&-Utilities)	- all 7 school boards (financials, procurement, business warehouse) - 6 municipalities (financials, procurement)	100% of depts., agencies, and school boards will have Human Resources and Payroll modules by end of FY2004-05	Continue with implementation of a common enterprise resource planning system (SAP) to enhance business operations for provincial reporting entities (MASH sector).